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Approved For Release 2001/11/06 : CIA-RDP82-00457R0005000720006-0

REPORT NO. [REDACTED]

INFORMATION REPORT
CONFIDENTIAL

CD NO.

25X1A

COUNTRY Korea/Japan

DATE DISTR. 22 JUN 50

SUBJECT Narcotics Smuggling between Korea and Japan

NO. OF PAGES 1

PLACE
ACQUIRED

25X1A

NO. OF ENCLS.
(LISTED BELOW)DATE OF
INFO.SUPPLEMENT TO
REPORT NO.

25X1A

- After the war, the opium produced in the poppy-growing areas of Myengcheon (129-28, 41-12) and Kilohu (129-20, 40-58) was partly used for legal manufacture of pharmaceuticals and partly smuggled into Manchuria and South Korea. Restrictions imposed by the Chinese Communists after they gained control of Manchuria, however, forced most of the smuggled opium trade back into Korea. Some opium is legally manufactured into anaesthetics and anodynes at the National Drug Manufacturing Center in Changdong (125-38, 39-52), but some is still smuggled across the border into South Korea.
- South Korean traders believe that the North Korean government tacitly approves the smuggling of opium into South Korea and that the proceeds of opium and narcotic smuggling are used for financing Communist efforts in South Korea. Opium is carried from north to south by sea or by land. Sea traffic is inspected by the East Sea Coast Guard at Wonsan (127-26, 39-10). The principal exports carried by ship from the north are carbide and marine products such as octopus and pollack; opium and other narcotics are concealed in these goods. Opium carried over land is buried immediately after crossing the 38th Parallel. It is recovered later at less risk.
- Part of the opium smuggled into South Korea is sold there to drug addicts, but part is smuggled from there into Japan. Because of the low rate of exchange between dollars and yen on the Japanese black market, morphine and other drugs are more valuable than their dollar equivalents for trading. Traders buy morphine in South Korea at 1,500,000 won per pound and sell it in Japan for 1,200,000 yen. With the profits of the sale they purchase cosmetics, silks, and other commodities which have a higher sale value in South Korea and carry them back legally. They obtain ordinary export permits from the Maritime Security Bureau and pay regular customs duty in the port of Pusan (129-02, 35-06). Comparative prices for Japanese export items are as follows:

	Japanese yen	South Korean won
Skirt material (meter?)	400	8,000
Shirts	300	5,000
Socks	100	500
Cosmetics (face cream)	50-100	600-2,000
Aluminum utensils	100	1,700

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Document No. [REDACTED]

No Change in Class. [REDACTED]

☒ Declassified [REDACTED]

Class. Changed To: TS [REDACTED]

Approved For Release 2001/11/06 : CIA-RDP82-00457R0005000720006-0

Date: 12/26/98 By: [REDACTED]

This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States.

Review Date: 2008